

CALIFORNIA DEPARTMENT OF INSURANCE
LEGAL DIVISION

Enforcement Bureau - San Francisco
Julie D. Soo, Bar No. 197570
45 Fremont Street, 21st Floor
San Francisco, CA 94105
Telephone: 415-538-4429
Facsimile: 415-904-5490

Attorneys for The California Department of Insurance

**BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA**

In the Matter of the Licenses and
Licensing Rights of

**COVERX CORPORATION,
DBA COVERX INSURANCE SERVICES,**

Respondent.

File No. 08OC04603-AP

ACCUSATION

The Insurance Commissioner of the State of California in his official capacity files this
matter and alleges that:

I

Respondent, COVERX CORPORATION DBA COVERX INSURANCE SERVICES,
was from June 7, 1979, and now is, the holder of a license issued by the Insurance Commissioner
of the State of California to act as a Fire and Casualty Broker-Agent (License No. 0573926).

II

Through ongoing investigations initiated by a consumer complaint, the Department of
Insurance Investigations Division discovered that from about 2006, Respondent has in this state
acted as the managing general agent for nonadmitted insurer First Mercury Insurance Company,

1 both subsidiaries of First Mercury Financial Corporation, a holding company, and has in that
2 capacity transacted the business of insurance in the state, including but not limited to the
3 underwriting and placement of surplus line insurance with residents of the State of California.
4 Respondent also contracted with California surplus line brokers.

6 III

7 The matters hereinabove set forth in Paragraph II show that Respondent aided First
8 Mercury Insurance Company, an entity not licensed to transact the business of insurance in
9 California, to transact insurance with residents of the State of California, in violation of California
10 Insurance Code section 703.

12 IV

13 The matters hereinabove set forth in Paragraphs II and III show that the continued
14 transaction of insurance in this State by Respondent would be against the public interest and
15 constitute grounds for the Insurance Commissioner to suspend or revoke the licenses and
16 licensing rights of Respondent pursuant to the provisions of sections 1668(b) and 1738 of the
17 California Insurance Code.

19 V

20 The matters hereinabove set forth in Paragraphs II and III show that Respondent is lacking
21 integrity and constitute grounds for the Insurance Commissioner to suspend or revoke the licenses
22 and licensing rights of Respondent pursuant to the provisions of sections 1668(e) and 1738 of the
23 California Insurance Code.

25 VI

26 The matters hereinabove set forth in Paragraphs II and III show that Respondent has
27 engaged in a fraudulent practice or act or has conducted a business in a dishonest manner and
28 constitute grounds for the Insurance Commissioner to suspend or revoke the licenses and

1 licensing rights of Respondent pursuant to the provisions of sections 1668(i) and 1738 of the
2 California Insurance Code.

3
4 VII

5 The matters hereinabove set forth in Paragraphs II and III show that Respondent has
6 shown incompetency or untrustworthiness in the conduct of a business, or has by commission of a
7 wrongful act or practice in the course of a business exposed the public or those dealing with it to
8 the danger of loss and constitute grounds for the Insurance Commissioner to suspend or revoke
9 the licenses and licensing rights of Respondent pursuant to the provisions of sections 1668(j) and
10 1738 of the California Insurance Code.

11
12 VIII

13 The matters hereinabove set forth in Paragraphs II and III show that Respondent has failed
14 to perform a duty expressly enjoined upon it by a provision of the Insurance Code or has
15 committed an act expressly forbidden by such a provision and constitute grounds for the
16 Insurance Commissioner to suspend or revoke the licenses and licensing rights of Respondent
17 pursuant to the provisions of sections 1668(l) and 1738 of the California Insurance Code.

18
19 IX

20 The matters hereinabove set forth in Paragraphs II and III show that Respondent has aided
21 or abetted a person in an act or omission which would constitute grounds for the suspension,
22 revocation or refusal of a license or certificate issued under the Insurance Code to the person
23 aided or abetted and constitute grounds for the Insurance Commissioner to suspend or revoke the
24 licenses and licensing rights of Respondent pursuant to the provisions of sections 1668(n) and
25 1738 of the California Insurance Code.

26 #

27 #

28 #

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

X

The matters hereinabove set forth in Paragraphs II and III show that Respondent has violated a provision of law relating to conduct of business which could lawfully be done only under authority conferred by such license and constitute grounds for the Insurance Commissioner to suspend or revoke the licenses and licensing rights of Respondent pursuant to the provisions of sections 1668(p) and 1738 of the California Insurance Code.

DATED: _____ 8/27/09 _____

STEVE POIZNER
Insurance Commissioner

By: _____ /s/ _____

JULIE D. SOO
Senior Staff Counsel